Information Services-Related Opportunities for Employer Services—An Initial Review

November 19, 1991

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Agenda

- Overview of information services industry
- INPUT's view of Employer Services
- INPUT's assessment of general opportunities for Employer Services
- Examination of specific service areas and opportunities
- Summary

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Market Research and Consultancy

Information Technology and Services Industry

17 Years in Business

80 Employees

MS-6

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California, New York, Washington D.C.,
London, Paris, Tokyo, Frankfurt

Emphasis on Primary Research

Experienced Senior Executives

Comprehensive Forecasts

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Information Services Industry Trends

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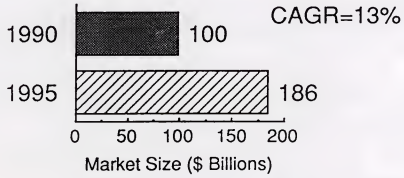
U.S. Information Services Market, 1990-1995



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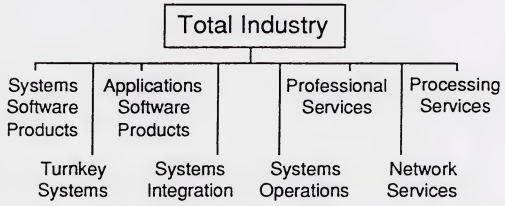
Information Services Industry Structure



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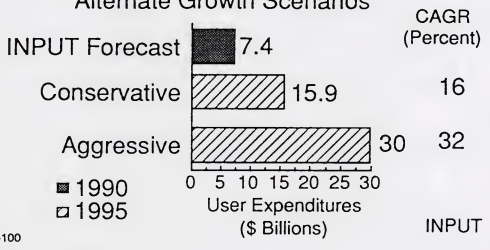
U.S. Systems Operations Forecast, 1990-1995

Alternate Growth Scenarios



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"Old"
Facilities Management

- Focus on computer operations

"New"

Systems Operations

- Development, planning, control, operations

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Types of Systems Operations

Type	Responsibilities
Platform	Operations of computer systems and their networks
Applications	Operations and applications software

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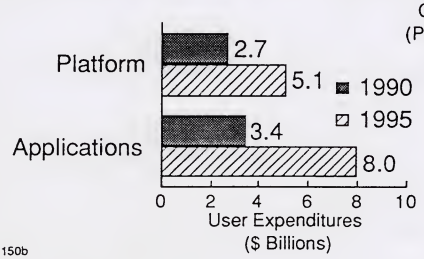
U.S. Commercial Systems Operations Market, 1990-1995



SO- 150b

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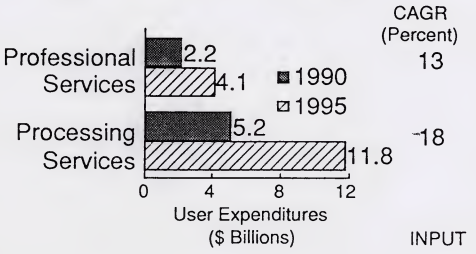
U.S. Systems Operations Market, 1990-1995



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Characteristics of Types of Systems Operations

Location of Main Computer	Ownership of Main Computer	
	Vendor	Customer
Vendor Site	**Processing Services**	Processing Services
Customer Site	Professional Services	**Professional Services**

Dominant modes

SO- 5

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Characteristics of Types of Systems Operations

Location of Main Computer	Dedication of Main Computer	
	Shared	Single Customer
Vendor Site	**Processing Services**	Processing Services
Customer Site	Professional Services	**Professional Services**

Dominant modes

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Systems Operations Driving Forces

- Core business focus
- Business transition
- Expense reduction
- Capital preservation

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Systems Operations Processing Services

- Fastest-growing processing market
- Changing attitudes of IS executives
- Non-IS executive involvement
- Emerging systems vendors' strategies

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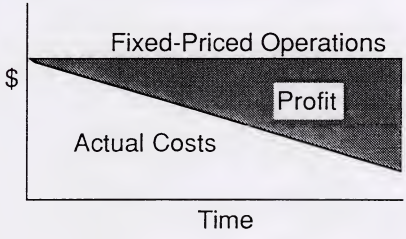
Systems Operations Efficiency Yields Profits



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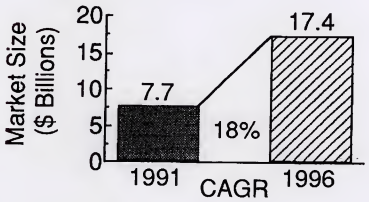
U.S. Systems Integration Market 1991-1996



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SI Definition

- Vendor-provided service
- Complete solution to complex requirement for:
  - Information systems
  - Networking
  - Automation

SI-2a

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SI Definition

- Custom selection and implementation of products and services

SI-2b

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Major SI Buyer Issues

- Core business focus
- Competitive demands
- Increasingly complex solutions

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Major SI Buyer Issues

- Users becoming buyers
- New technology application
- Unavailable skills

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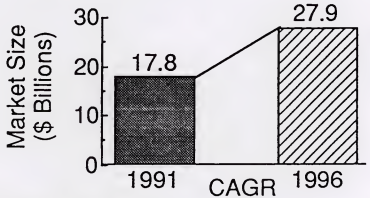
U.S. Professional Services Market,* 1991-1996



* Without Systems Operations

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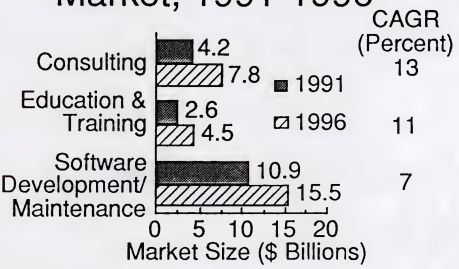
U.S. Professional Services Market, 1991-1996



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Professional Services Market—Driving Forces

- Lack of skilled personnel
- Growth of network applications
- Amount of proprietary systems in use
- Growth of consulting services

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Professional Services Market—Growth Inhibitors

- Economic downturn
- Increased power of application development tools
- Lack of personnel with critical technical skills

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Professional Services Market—Growth Inhibitors

- Movement of prospects to systems integration/ operations
- Slowing of information services industry

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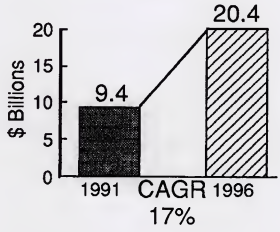
U.S. Network Services
1991-1996



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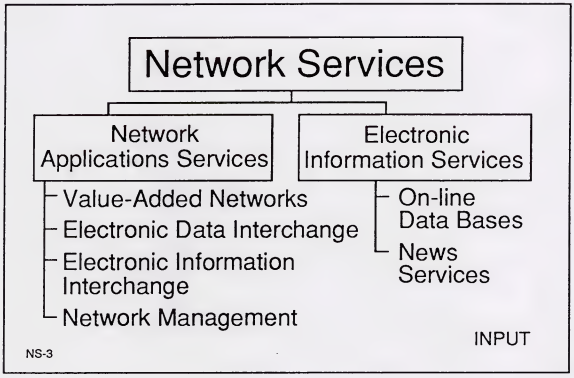

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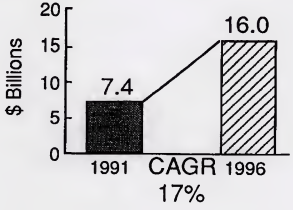
U.S. Electronic Information Services, 1991-1996



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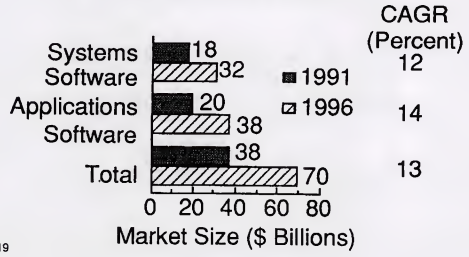
U.S. Software Products Market, 1991-1996



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Application Software Products Changing Buying Patterns

- Make versus buy decisions
- Solutions versus products
- A more strategic purchase
- End-user involvement and role of operating executives

SP-124

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Application Software Products Changing Distribution Channels

- SI and SO
- Applications software versus turnkey
- Turnkey/VAR versus systems integration

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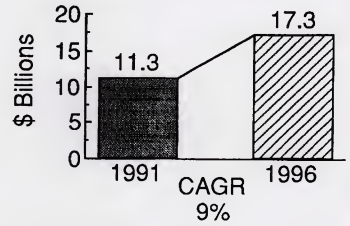
U.S. Turnkey Systems Market, 1991-1996



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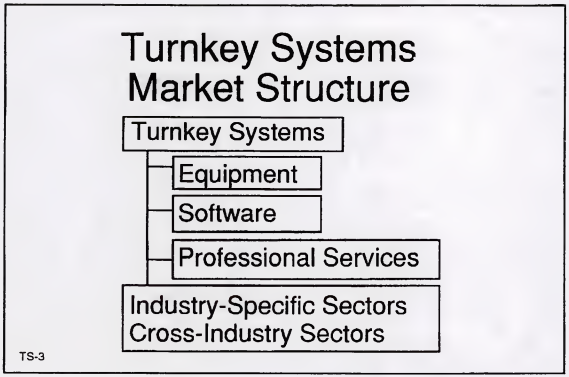

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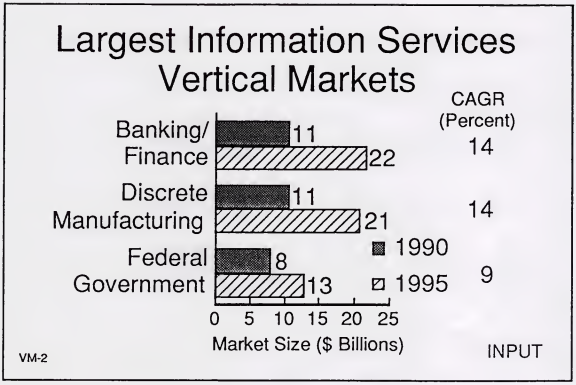

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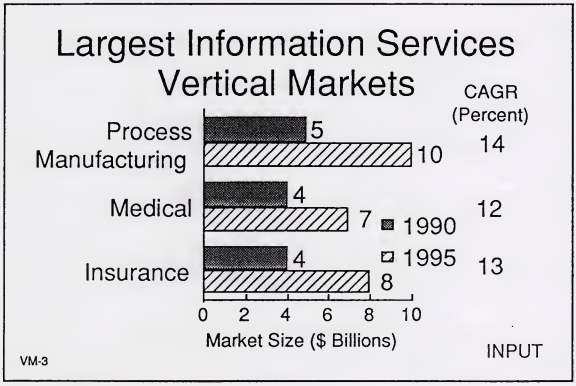

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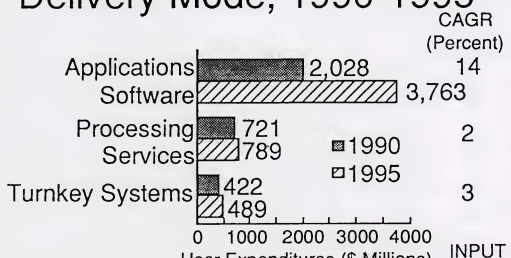
Accounting Market by Delivery Mode, 1990-1995



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Products and Services Markets Blurring

- Traditional competitors are changing:
  - Traditional *product* companies adding services
  - Traditional *service* companies adding products

IS-7a

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Products and Services Markets Blurring

- Traditional competitors are changing:
  - Consulting companies adding development services

IS-7b

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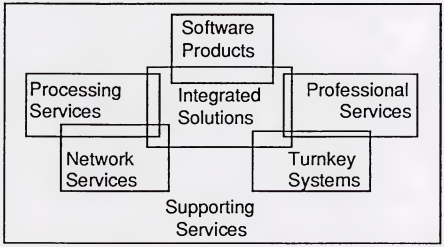
Information Services Market Structure—1990s
Emphasis on Supporting Services



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IS Outsourcing Areas

1. Systems operations
2. Applications maintenance
3. Applications management
4. Network operations
5. Desktop services

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Focus

Systems integration (SI)

Systems operations (SO)

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"Outsourcing" vs. Buying Services

- Greater commitment on part of buyer
- "Partnership"
- Responsibility/risk for vendors

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Organization/IS Impact

Outsourcing Category	Impact		
	Operational	Tactical	Strategic
Applications Management	High	High	Medium
Systems Operations	High	Medium	Medium

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OU-22

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Organization/IS Impact

Outsourcing Category	Impact		
	Operational	Tactical	Strategic
Applications Maintenance	High	Medium	Low

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OU-23

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Evolution of Outsourcing

Product/Service	1970s		1990s
Applications Software	Applications Packages	→	Applications Management
Professional Services	Consulting Contract Prog	→	Applications Maintenance

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OU-18a

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Evolution of Outsourcing

Product/Service	1970s	1990s
Processing Services	Specific Proc Serv	→ Systems Operations
Networking Services	Value-Added Networks	→ Network Operations

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OU-18b

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Ground Rules

- Employer Services desires an outside view of potential business opportunities
- Assessments/recommendations based on an "informed outsider's" view of Employer Services business

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YWAD1- 10

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Ground Rules

- No briefings by Employer Services on
  - Objectives
  - Current business
  - Business plans
  - Opportunities evaluated
  - Plans

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Ground Rules

- Suggestions/recommendations are meant to provoke thought and discussion.
  - All require additional research and analysis.

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Ground Rules

- Some may not prove feasible or desirable for Employer Services.
- Some may have a large information service component but are not information services, per se.

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INPUT's View of ADP/Employer Services

- Objectives
- Market base
- Operating characteristics
- Attitude toward technology
- Business culture

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ADP/Employer Services Objectives

- EPS: Double digit growth
- Revenues: Double digit growth
- Market segment leadership
  - Market share
  - Potential to be in top three

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YWAD1- 2

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ADP/Employer Services Market Base

- "Heartland" customers (25 - 1,000 employees)
  - Principal business base
  - Twenty percent penetration
  - Small penetration in larger companies

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YWAD1- 3

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ADP/Employer Services Market Base

- HR, Payroll
  - Support functions, little competitive advantage
  - Mid-level, specialized buyers
  - Focussed sales force
- Repetitive (processing) services

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YWAD1- 4

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ADP/Employer Services Operating Characteristics

- Disciplined operations, execution
- Mastery of detail
- Standardized processes and results
- Management of large data bases
  - Personal information
  - Financial information

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YWAD1- 5

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ADP/Employer Services Operating Characteristics

- Able to deal with a complex, changing environment
  - Legislation and government rule making
  - Customer employment practices

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ADP/Employer Services Attitude Toward Technology

- A means, not an end: efficient, standardized operations
- Cost control: very important
- Leading edge technology viewed as:
  - Costly
  - Risky

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YWAD1- 7

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ADP/Employer Services Business Culture

- Offerings are:
  - Focussed
  - Changed incrementally
- Business unit has been risk-averse re: Unrelated businesses
  Technology-driven offerings

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INPUT'S Assessment of General Opportunities

- "Template" for judging opportunities
- Potential areas

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"Template" for Judging New Opportunities

- Meet financial/market share objectives (not always immediately)
  - Investment, start-up
  - Critical mass build-up (market share, efficiency)

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"Template" for Judging New Opportunities

- *Services* attractive
- Independently offered products: rarely attractive
- High technology component not attractive

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"Template" for Judging New Opportunities

- Should be related to current business in at least one of the following:
  - Delivery mode
  - A business support function
  - Customer set

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Large Business Requirements

- Often, decentralized business units within a centralized administrative framework
- Complex, changing organizations

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Large Business Requirements

- Complex, change-resistant support systems—IS and/or management conflicts between "single data base" and distributed applications

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Large Business Requirements

- Unique, custom-built systems environments caused by:
  - Real needs (competitive advantage)
  - Perceived needs (competitive advantage)
  - Accumulation of historic systems
- Increasing interest in outsourcing

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Potential Opportunity Areas

- Broaden, deepen current niche (payroll/HR processing)
  - Ongoing process
  - Not addressed by INPUT at this time

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Potential Opportunity Areas

- Expand into other business support functions
- Expand into other delivery modes
- Expand beyond Heartland customer set
  - Small businesses (secondary target, excluded from this analysis)

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Potential Opportunity Areas

- Government (excluded from this analysis)
- Large businesses

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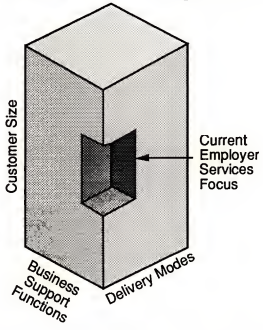
Employer Services Segment Focus



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Examination of Specific Areas and Opportunities

- Delivery modes
- Vertical markets
- Cross-industry business support

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Systems Operations (SO)

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SO-1

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Template for Platform Operations

Criteria	Acceptability
Financial/market share	Yes
Service	Yes
Low/medium technology	Yes (usually)
Related to current business	No

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Applications Support

- Payroll, HR
- Potentially, other business support functions, e.g.,
  - Purchasing/accounts payable
  - Billing/accounts receivable

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Applications Support

- Leverage processing core
  - Standardize customer software (all, part; sooner; later)
  - Standardize support procedures
- Could lead into larger outsourcing business: business support

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Template for Applications Support

Criteria	Acceptability
Financial/market share	Yes
Service	Yes
Low/medium technology	Yes
Related to current business	Sometimes

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Systems Integration

SI- 1

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System Integrated Related Opportunities

Employer Services

- "Pure" SI - build only
  - Target payroll, HR initially
  - Requires new/refocussed ADP skills
  - High degree of customization
  - Lumpy, episodic business
  - Probably not attractive

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YWAD1- 27

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System Integrated Related Opportunities

Employer Services

- SI/SO - build/operate
  - Entree into large accounts
  - Meets more Employer Services criteria
  - SI component through partnering
  - Gradually introduce standard components
    - Better service
    - Reduce costs

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YWAD1- 28

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Template for Systems Integration

Criteria	Acceptability
Financial/market share	Yes
Service	No
Low/medium technology	Yes
Related to current business	Sometimes

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On-Line Data Bases

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Template for Credit Reporting Data Base (Sample)

Criteria	Acceptability
Financial/market share	Yes
Service	Yes
Low/medium technology	Yes
Related to current business	Partial

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Consumer Services: Concept

- Utilize data base on ten million employees
  - Actual personal information
  - Data base capabilities

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Consumer Services: Concept

- Third party data base provider
- Market directly to individuals (e.g., financial services)
- Market through payroll customers to individuals (e.g., 401K)

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Notes

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Consumer Services: Questions

- Legal protection of payroll/HR information
- Direct provision of services to consumers inadvisable
- Consumer purchasing behavior data base experience totally different than HR data bases

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Consumer Services: Questions

- Core of 401K business is marketing and management, not processing
- Payroll customers may be resistant to be marketed through

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Other Delivery Modes

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Template for Systems Software Products

Criteria	Acceptability
Financial/market share	Yes
Service	No
Low/medium technology	Varies
Related to current business	No

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Template for Application Software Products

Criteria	Acceptability
Financial/market share	Yes
Service	No
Low/medium technology	Yes (usually)
Related to current business	Sometimes

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Template for Turnkey Systems

Criteria	Acceptability
Financial/market share	Yes (?)
Service	No
Low/medium technology	Yes
Related to current business	Sometimes

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Delivery Modes and Employer Services

Criteria: Summary

Delivery Mode	Meets ADP Criteria?
Processing*	Yes
Outsourcing	
• Platform operations	Probably no
• Applications support	Yes
• Entire business/ departmental functions	Yes

YWAD1- 22 *Current Segment

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Delivery Modes and Employer Services

Criteria: Summary

Delivery Mode	Meets ADP Criteria?
Systems Integration	Maybe
Information Data Base	Yes, if supplier proprietary
Software Products	
• Systems Software	No
• Applications Software	Probably no
Turnkey System	Probably no

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Vertical Markets

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Vertical Market Requirements

- Vertical knowledge, embodied in software and/or people.
  - Principal delivery modes:
  - Applications software products
  - Professional services
  - Systems integration

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Vertical Market Requirements

- Increasing follow-on market for systems operations
- Little ability to build on Employer Services business
- Potential conflict with other ADP units

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Cross-industry Business Support

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Business Support Functions
(Examples)

- Payroll*
- Human Resources*
- Purchasing/Accounts Payable
- Billing/Accounts Receivable

* Current segments

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Business Support Functions
(Examples)

- Order Processing
- Credit Authorization
- Health Claims Management
- Benefits Management

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Recommendations

- Focus on core services
- Outsource other activities

Source: HBR Article

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Outsourcing

- Outsource non-competitive activities
- Outsourcing builds flexibility
- Outsourcing allows focus

Source: HBR Article

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OU-5

Notes

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Business Function Outsourcing Markets

	1991	1992
Processing Services	• Limited functions • Mature market	•Same
Applications Support	• Functions vary • Growing market	•Potentially all functions •Very large (?)

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Notes

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Business Function Outsourcing Markets

	1991	1992
Business Function Support	• Infant market	• Potentially all functions • Large (?)

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Outsourcing Vendors

- Approaches differ greatly
- Variety of capabilities needed
- Partnerships/alliances result

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OU-13

Notes

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Template for Business Function Outsourcing

Criteria	Acceptability
Financial/market share	Yes (?)
Service	Yes
Low/medium technology	Yes (usually)
Related to current business	Sometimes

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Summary

- Employer Services to become Corporate Services?
- Long term target: horizontal back office services
  - Processing → systems operations
  - Applications support → department support
  - Payroll/HR → other functions

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Summary

- Separate opportunity: on-line data base supplier
  - Proprietary data
  - Corporate customers

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Next Steps

- Prioritize opportunities
- Additional analysis, sizing of selected opportunities
  - Further refinement of offerings
  - Sizing

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Next Steps

- Additional research may be required for sizing, growth, customer characteristics
- Identification of offering vehicle
  - In-house
  - Partnering
  - Acquisition

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ADP
file

Information Services-Related Opportunities for Employer Services—An Initial Review

November 19, 1991

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Agenda

- Overview of information services industry
- INPUT's view of Employer Services
- INPUT's assessment of general opportunities for Employer Services
- Examination of specific service areas and opportunities
- Summary

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Market Research and Consultancy

Information Technology and Services Industry

17 Years in Business

80 Employees

MS-6

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INPUT

California, New York, Washington D.C.,
London, Paris, Tokyo, Frankfurt

Emphasis on Primary Research

Experienced Senior Executives

Comprehensive Forecasts

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Information Services Industry Trends

MS-2

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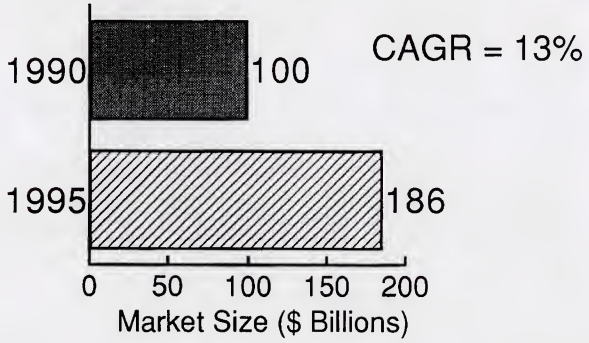
U.S. Information Services Market, 1990-1995



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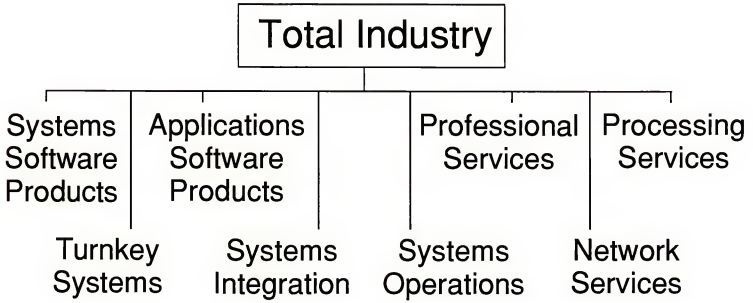
Information Services Industry Structure



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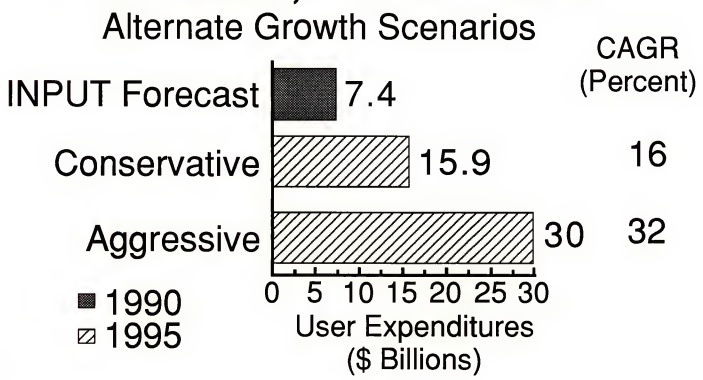
U.S. Systems Operations Forecast, 1990-1995



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"Old" Facilities Management

- Focus on computer operations

"New" Systems Operations

- Development, planning, control, operations

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Types of Systems Operations

Type	Responsibilities
Platform	Operations of computer systems and their networks
Applications	Operations and applications software

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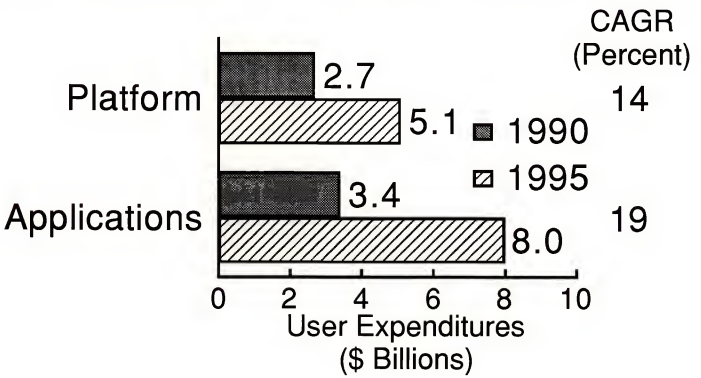
U.S. Commercial Systems Operations Market, 1990-1995



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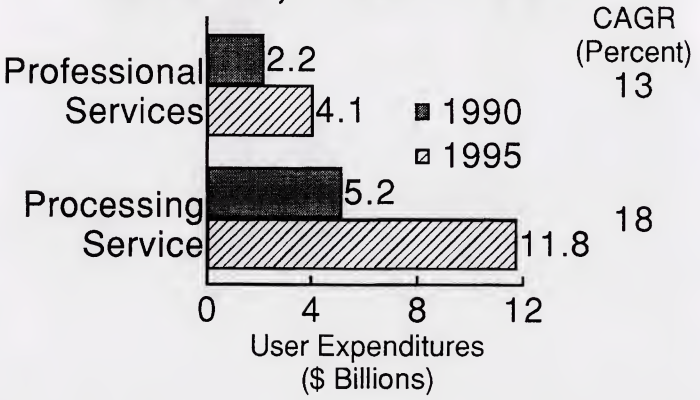
U.S. Systems Operation Market, 1990-1995



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Characteristics of Types of Systems Operations

Location of Main Computer	Ownership of Main Computer	
	Vendor	Customer
Vendor Site	**Processing Services**	Processing Services
Customer Site	Professional Services	**Professional Services**

Bold = Dominant modes

SO- 5

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Characteristics of Types of Systems Operations

Location of Main Computer	Dedication of Main Computer	
	Shared	Single Customer
Vendor Site	**Processing Services**	Processing Services
Customer Site	Professional Services	**Professional Services**

Dominant modes

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Systems Operations Driving Forces

- Core business focus
- Business transition
- Expense reduction
- Capital preservation

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Systems Operations Processing Services

- Fastest-growing processing market
- Changing attitudes of IS executives
- Non-IS executive involvement
- Emerging systems vendors' strategies

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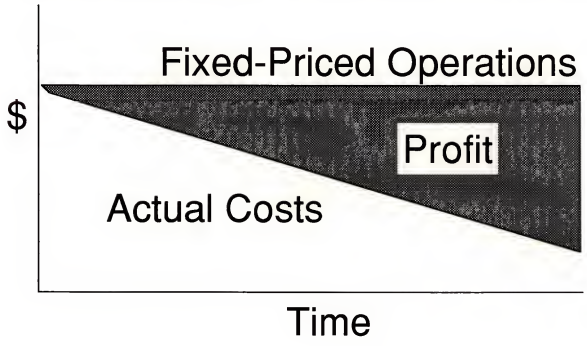
Systems Operations Efficiency Yields Profits



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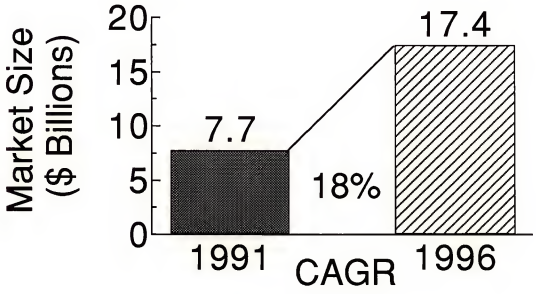
U.S. Systems Integration Market 1991-1996



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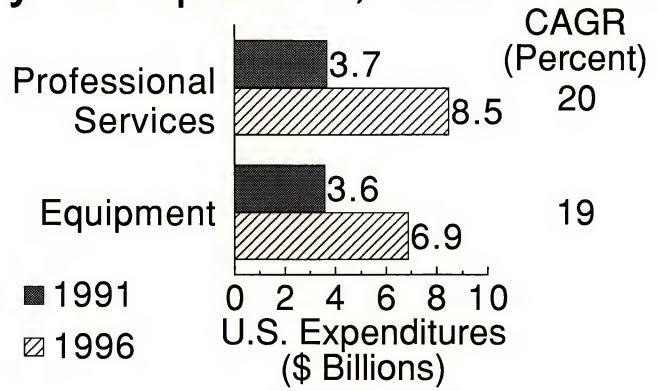
Systems Integration Market by Component, 1991-1996



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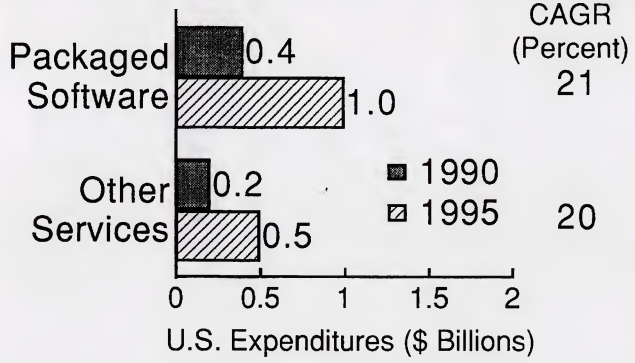
Systems Integration Market by Component, 1990-1995



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SI Definition

- Vendor-provided service
- Complete solution to complex requirement for:
  - Information systems
  - Networking
  - Automation

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SI Definition

- Custom selection and implementation of products and services

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Major SI Buyer Issues

- Core business focus
- Competitive demands
- Increasingly complex solutions

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Major SI Buyer Issues

- Users becoming buyers
- New technology application
- Unavailable skills

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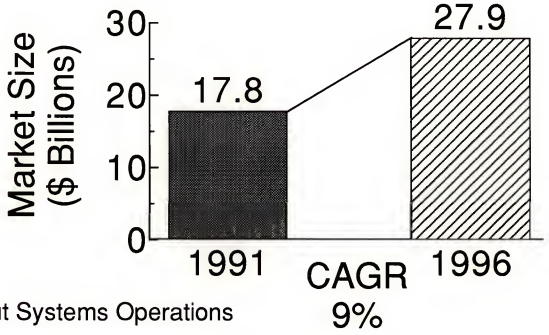
U.S. Professional Services Market,* 1991-1996



* Without Systems Operations

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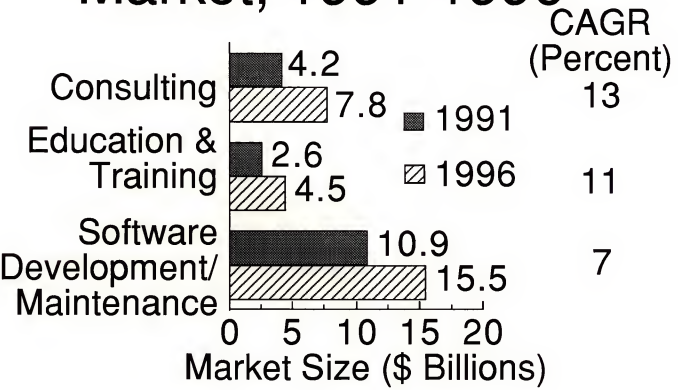
U.S. Professional Services Market, 1991-1996



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Professional Services Market—Driving Forces

- Lack of skilled personnel
- Growth of network applications
- Amount of proprietary systems in use
- Growth of consulting services

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Professional Services Market—Growth Inhibitors

- Economic downturn
- Increased power of application development tools
- Lack of personnel with critical technical skills

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Professional Services Market—Growth Inhibitors

- Movement of prospects to systems integration/ operations
- Slowing of information services industry

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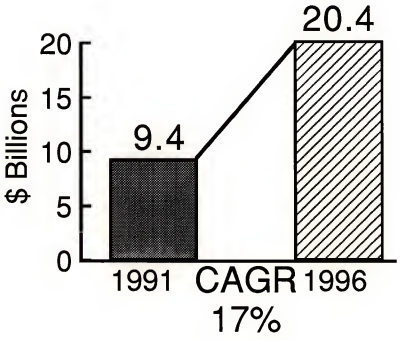
U.S. Network Services 1991-1996



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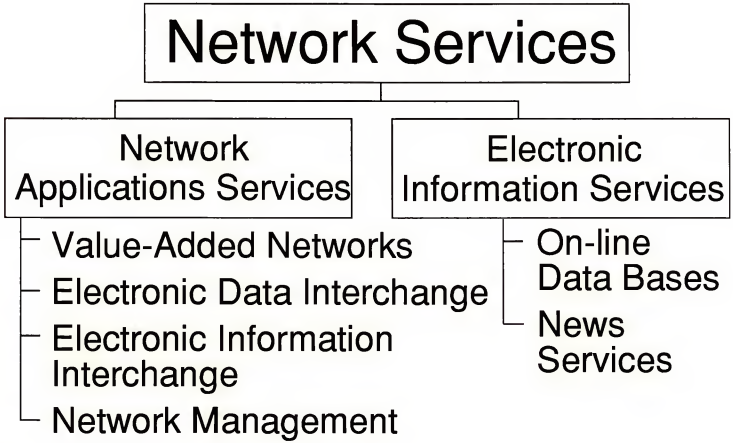

NS-3

INPUT

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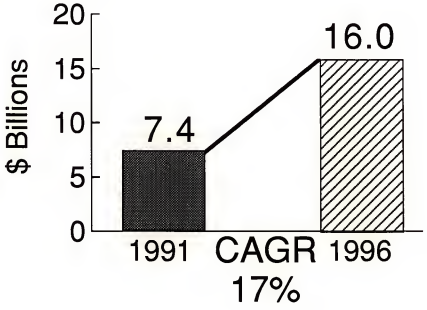
U.S. Electronic Information Services, 1991-1996



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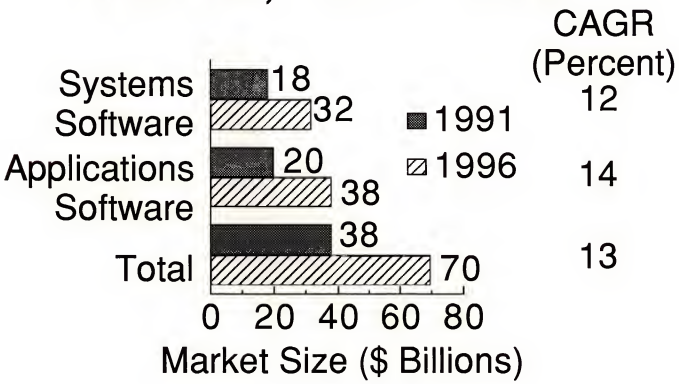
U.S. Software Products Market, 1991-1996



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Application Software Products Changing Buying Patterns

- Make versus buy decisions
- Solutions versus products
- A more strategic purchase
- End-user involvement and role of operating executives

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Application Software Products Changing Distribution Channels

- SI and SO
- Applications software versus turnkey
- Turnkey/VAR versus systems integration

SP-125

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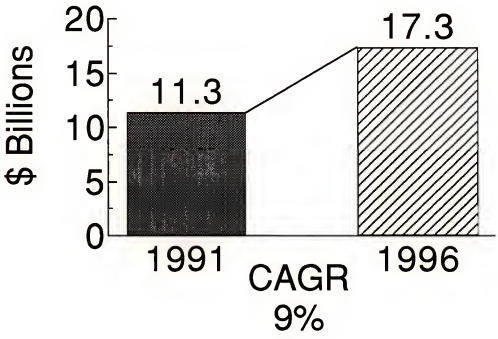
U.S. Turnkey Systems Market, 1991-1996



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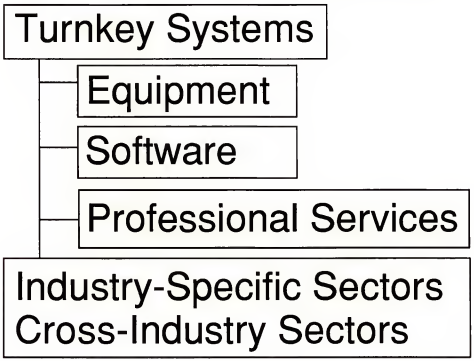
Turnkey Systems Market Structure



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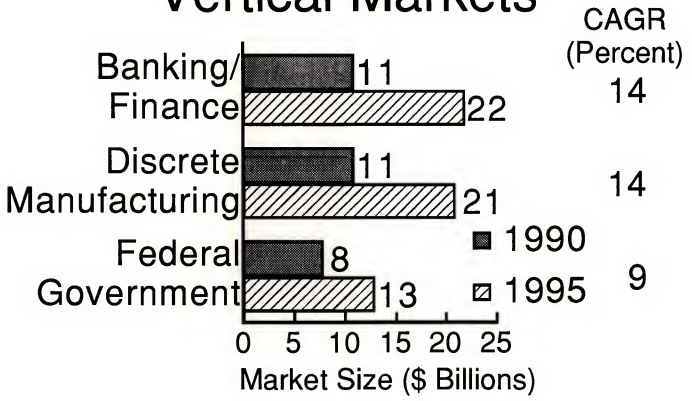
Largest Information Services Vertical Markets



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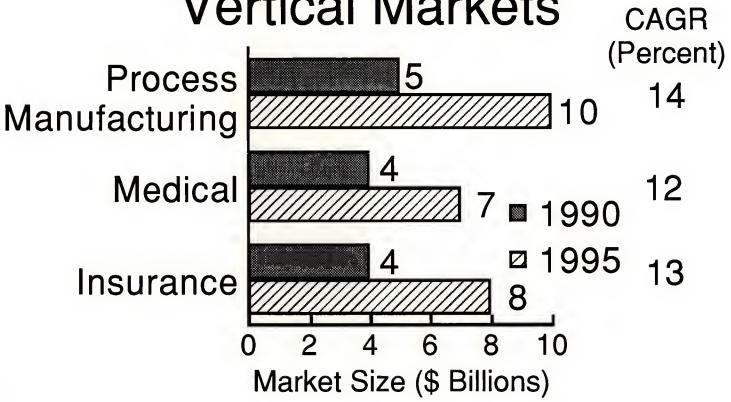
Largest Information Services Vertical Markets



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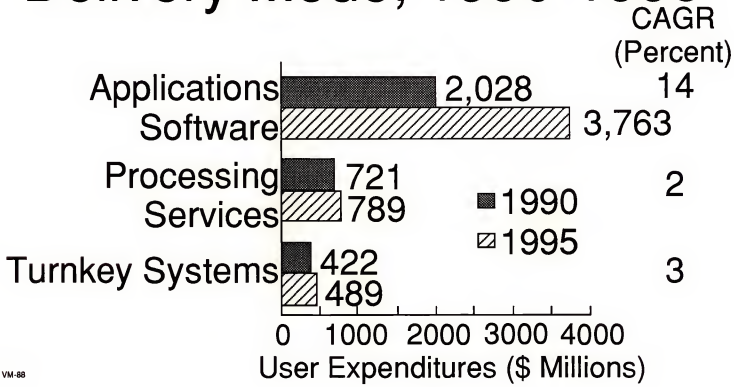
Accounting Market by Delivery Mode, 1990-1995



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Products and Services Markets Blurring

- Traditional competitors are changing:
  - Traditional *product* companies adding services
  - Traditional *service* companies adding products

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Products and Services Markets Blurring

- Traditional competitors are changing:
  - Consulting companies adding development services

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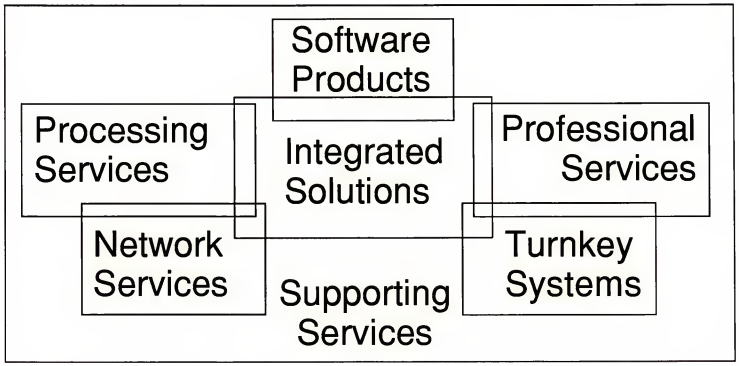
Information Services Market Structure—1990s

Emphasis on Supporting Services



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IS Outsourcing Areas

1. Systems operations
2. Applications maintenance
3. Applications management
4. Network operations
5. Desktop services

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Focus

Systems integration (SI)

Systems operations (SO)

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"Outsourcing" vs. Buying Services

- Greater commitment on part of buyer
- "Partnership"
- Responsibility/risk for vendors

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Organization/IS Impact

Outsourcing Category	Impact		
	Operational	Tactical	Strategic
Applications Management	High	High	Medium
Systems Operations	High	Medium	Medium

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Organization/IS Impact

Outsourcing Category	Impact		
	Operational	Tactical	Strategic
Applications Maintenance	High	Medium	Low

OU-23

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Evolution of Outsourcing

Product/Service	1970s	1990s
Applications Software	Applications Packages →	Applications Management
Professional Services	Consulting Contract Prog →	Applications Maintenance

OU-18a

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Evolution of Outsourcing

Product/Service	1970s		1990s
Processing Services	Specific Proc Serv	→	Systems Operations
Networking Services	Value-Added Networks	→	Network Operations

OU-18b

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Ground Rules

- Employer Services desires an outside view of potential business opportunities
- Assessments/recommendations based on an "informed outsider's" view of Employer Services business

YWAD1-10

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Ground Rules

- No briefings by Employer Services on
  - Objectives
  - Current business
  - Business plans
  - Opportunities evaluated
  - Plans

YWAD1-11

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Ground Rules

- Suggestions/recommendations are meant to provoke thought and discussion.
  - All require additional research and analysis.

YWAD1-12

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Ground Rules

- Some may not prove feasible or desirable for Employer Services.
- Some may have a large information service component but are not information services, per se.

YWAD1-13

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INPUT's View of ADP/Employer Services

- Objectives
- Market base
- Operating characteristics
- Attitude toward technology
- Business culture

YWAD1- 1

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ADP/Employer Services Objectives

- EPS: Double digit growth
- Revenues: Double digit growth
- Market segment leadership
  - Market share
  - Potential to be in top three

YWAD1-2

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ADP/Employer Services Market Base

- "Heartland" customers (25 - 1,000 employees)
  - Principal business base
  - Twenty percent penetration
  - Small penetration in larger companies

YWAD1- 3

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ADP/Employer Services Market Base

- HR, Payroll
  - Support functions, little competitive advantage
  - Mid-level, specialized buyers
  - Focussed sales force
- Repetitive (processing) services

YWAD1-4

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ADP/Employer Services Operating Characteristics

- Disciplined operations, execution
- Mastery of detail
- Standardized processes and results
- Management of large data bases
  - Personal information
  - Financial information

YWAD1- 5

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ADP/Employer Services Operating Characteristics

- Able to deal with a complex, changing environment
  - Legislation and government rule making
  - Customer employment practices

YWAD1- 6

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ADP/Employer Services Attitude Toward Technology

- A means, not an end: efficient, standardized operations
- Cost control: very important
- Leading edge technology viewed as:
  - Costly
  - Risky

YWAD1- 7

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ADP/Employer Services Business Culture

- Offerings are:
  - Focussed
  - Changed incrementally
- Business unit has been risk-averse re: Unrelated businesses
  Technology-driven offerings

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INPUT'S Assessment of General Opportunities

- "Template" for judging opportunities
- Potential areas

YWAD1-29

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"Template" for Judging New Opportunities

- Meet financial/market share objectives (not always immediately)
  - Investment, start-up
  - Critical mass build-up (market share, efficiency)

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"Template" for Judging New Opportunities

- *Services* attractive
- Independently offered products: rarely attractive
- High technology component not attractive

YWAD1-25

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"Template" for Judging New Opportunities

- Should be related to current business in at least one of the following:
  - Delivery mode
  - A business support function
  - Customer set

YWAD1-26

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Large Business Requirements

- Often, decentralized business units within a centralized administrative framework
- Complex, changing organizations

YWAD1-17

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Large Business Requirements

- Complex, change-resistant support systems—IS and/or management conflicts between "single data base" and distributed applications

YWAD1-18

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Large Business Requirements

- Unique, custom-built systems environments caused by:
  - Real needs (competitive advantage)
  - Perceived needs (competitive advantage)
  - Accumulation of historic systems
- Increasing interest in outsourcing

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Potential Opportunity Areas

- Broaden, deepen current niche (payroll/HR processing)
  - Ongoing process
  - Not addressed by INPUT at this time

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Potential Opportunity Areas

- Expand into other business support functions
- Expand into other delivery modes
- Expand beyond Heartland customer set
  - Small businesses (secondary target, excluded from this analysis)

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Potential Opportunity Areas

- Government (excluded from this analysis)
- Large businesses

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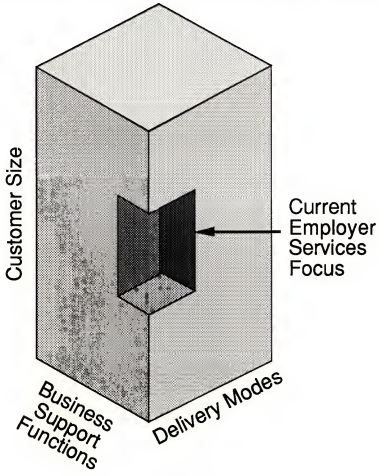
Employer Services Segment Focus



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Examination of Specific Areas and Opportunities

- Delivery modes
- Vertical markets
- Cross-industry business support

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Systems Operations (SO)

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Template for Platform Operations

Criteria	Acceptability
Financial/market share	Yes
Service	Yes
Low/medium technology	Yes (usually)
Related to current business	No

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Applications Support

- Payroll, HR
- Potentially, other business support functions, e.g.,
  - Purchasing/accounts payable
  - Billing/accounts receivable

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Applications Support

- Leverage processing core
  - Standardize customer software (all, part; sooner; later)
  - Standardize support procedures
- Could lead into larger outsourcing business: business support

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Template for Applications Support

Criteria	Acceptability
Financial/market share	Yes
Service	Yes
Low/medium technology	Yes
Related to current business	Sometimes

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Systems Integration

SI-1

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System Integrated Related Opportunities

Employer Services

- "Pure" SI - build only
  - Target payroll, HR initially
  - Requires new/refocussed ADP skills
  - High degree of customization
  - Lumpy, episodic business
  - Probably not attractive

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System Integrated Related Opportunities

Employer Services

- SI/SO - build/operate
  - Entree into large accounts
  - Meets more Employer Services criteria
  - SI component through partnering
  - Gradually introduce standard components
    - Better service
    - Reduce costs

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Template for Systems Integration

Criteria	Acceptability
Financial/market share	Yes
Service	No
Low/medium technology	Yes
Related to current business	Sometimes

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On-Line Data Bases

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Template for Credit Reporting Data Base (Sample)

Criteria	Acceptability
Financial/market share	Yes
Service	Yes
Low/medium technology	Yes
Related to current business	Partial

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Consumer Services: Concept

- Utilize data base on ten million employees
  - Actual personal information
  - Data base capabilities

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Consumer Services: Concept

- Third party data base provider
- Market directly to individuals (e.g., financial services)
- Market through payroll customers to individuals (e.g., 401K)

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Consumer Services: Questions

- Legal protection of payroll/HR information
- Direct provision of services to consumers inadvisable
- Consumer purchasing behavior data base experience totally different than HR data bases

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Other Delivery Modes

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Template for Systems Software Products

Criteria	Acceptability
Financial/market share	Yes
Service	No
Low/medium technology	Varies
Related to current business	No

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Consumer Services: Questions

- Core of 401K business is marketing and management, not processing
- Payroll customers may be resistant to be marketed through

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Template for Application Software Products

Criteria	Acceptability
Financial/market share	Yes
Service	No
Low/medium technology	Yes (usually)
Related to current business	Sometimes

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Template for Turnkey Systems

Criteria	Acceptability
Financial/market share	Yes (?)
Service	No
Low/medium technology	Yes
Related to current business	Sometimes

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Delivery Modes and Employer Services

Criteria: Summary

Delivery Mode	Meets ADP Criteria?
Processing*	Yes
Outsourcing	
• Platform operations	Probably no
• Applications support	Yes
• Entire business/ departmental functions	Yes

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*Current Segment

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Delivery Modes and Employer Services

Criteria: Summary

Delivery Mode	Meets ADP Criteria?
Systems Integration	Maybe
Information Data Base	Yes, if supplier proprietary
Software Products	
• Systems Software	No
• Applications Software	Probably no
Turnkey System	Probably no

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Vertical Markets

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VM-1

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Vertical Market Requirements

- Vertical knowledge, embodied in software and/or people.
  - Principal delivery modes:
  - Applications software products
  - Professional services
  - Systems integration

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Vertical Market Requirements

- Increasing follow-on market for systems operations
- Little ability to build on Employer Services business
- Potential conflict with other ADP units

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Cross-industry Business Support

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Business Support Functions
(Examples)

- Payroll*
- Human Resources*
- Purchasing/Accounts Payable
- Billing/Accounts Receivable

* Current segments

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Business Support Functions
(Examples)

- Order Processing
- Credit Authorization
- Health Claims Management
- Benefits Management

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Recommendations

- Focus on core services
- Outsource other activities

Source: HBR Article

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Outsourcing

- Outsource non-competitive activities
- Outsourcing builds flexibility
- Outsourcing allows focus

Source: HBR Article

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Business Function Outsourcing Markets

	1991	1992
Processing Services	• Limited functions • Mature market	•Same
Applications Support	• Functions vary	•Potentially all functions
	• Growing market	•Very large (?)

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Business Function Outsourcing Markets

	1991	1992
Business Function Support	• Infant market	• Potentially all functions • Large (?)

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Outsourcing Vendors

- Approaches differ greatly
- Variety of capabilities needed
- Partnerships/alliances result

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Template for Business Function Outsourcing

Criteria	Acceptability
Financial/market share	Yes (?)
Service	Yes
Low/medium technology	Yes (usually)
Related to current business	Sometimes

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Summary

- Employer Services to become Corporate Services?
- Long term target: horizontal back office services
  - Processing → systems operations
  - Applications support → department support
  - Payroll/HR → other functions

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Summary

- Separate opportunity: on-line data base supplier
  - Proprietary data
  - Corporate customers

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Next Steps

- Prioritize opportunities
- Additional analysis, sizing of selected opportunities
  - Further refinement of offerings
  - Sizing

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Next Steps

- Additional research may be required for sizing, growth, customer characteristics
- Identification of offering vehicle
  - In-house
  - Partnering
  - Acquisition

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